

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 EB-07 /017 W  
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R 130555Z MAY 76  
FM AMEMBASSY TOKYO  
TO USDOC WASHDC PRIORITY  
SECSTATE WASHDC 9127

UNCLAS TOKYO 7018

COMMERCE FOR OED / PRITCHARD AND MILLER

STATE FOR EA / J / DAVE BROWN

E.O. 11652: N/A

TAGS: BEXP, BTRA, JA

SUBJECT: FOREIGN BUYERS PROGRAM: EXPERIMENTAL SHIPPING PROGRAM

REF: (1) USDOC 08046, (2) TOKYO 5206

1) IN PREPARATION FOR OED'S MAY 17 MEETING WITH MARAD'S  
OFFICE OF MARKET DEVELOPMENT TO DISCUSS EXPERIMENTAL  
SHIPPING PROGRAM, WE WISH TO PRESENT FOLLOWING INFORMATION.

2) AS WE UNDERSTAND IT, MARAD'S OBJECTION TO NIPPON  
EXPRESS ARRANGEMENTS FOR THE JANUARY 1976 HOUSEWARES  
SHOW IS BASED ON THE ASSUMPTION THAT THIS MEANS  
FREIGHT WILL MOVE BY JAPANESE FLAG CARRIER. FACTS, HOWEVER,  
ARE DIFFERENT. NIPPON EXPRESS STATES THAT THIRTY PER CENT  
OF CARGO IT HANDLES ON U.S.-JAPAN ROUTE MOVES ON FOREIGN  
(I.E., NON-JAPANESE) FLAG CARRIERS, AND NINETY PER CENT  
OF THIS FOREIGN FLAG TRAFFIC GOES ON U.S. FLAG SHIPS.  
NIPPON EXPRESS FURTHER STATES THAT SHOULD THEY USE THIS  
METHOD IN THE FUTURE, THEY ARE WILLING TO SIGN STATE-  
MENT TO EMBASSY THAT TO EXTENT POSSIBLE CONSISTENT WITH  
TIMELY DELIVERY, THEY WILL ENDEAVOR TO USE U.S. FLAG  
CARRIERS.

3) ACCORDING TO N.Y.K. LINES, ABOUT WENTY TO  
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TWENTY-TWO PER CENT OF ALL CARGO TRAFFIC BETWEEN U.S.

AND JAPAN MOVES ON NON-JAPANESE CARRIERS, SO NIPPON EXPRESS USE OF U.S. FLAG CARRIERS IS ACTUALLY ABOVE AVERAGE. FURTHERMORE, AS WE UNDERSTAND IT, THERE IS NO REQUIREMENT THAT AMERICAN FREIGHT FORWARDERS USE U.S. FLAG CARRIERS FOR ORDINARY COMMERCIAL SHIPMENTS, SO EVEN IF AN AMERICAN FREIGHT FORWARDER WERE TO BECOME INVOLVED IN THIS PROGRAM IN FUTURE, THERE IS STRONG POSSIBILITY, GIVEN AVERAGE OF ONLY TWENTY PER CENT U.S. FLAG CARRIER TRAFFIC ON U.S.-JAPAN ROUTE, THAT SUCH CARGO WOULD MOVE BY JAPANESE CARRIER.

4) WE HAVE EMPHASIZED FROM THE BEGINNING THAT THIS IS AN EXPERIMENTAL PROGRAM; THAT NIPPON EXPRESS HAS DEvised A NEW EXPORT PROCEDURE BY WHICH U.S. COMPANIES NOT RPT NOT ENGAGED IN EXPORT (WHICH MEANS ABOUT 90 PER CENT OF ALL U.S. COMPANIES AND OVER 80 PERCENT OF EXHIBITORS AT F.B.P. TRADE SHOWS) CAN SHIP TO JAPANESE BUYERS WITH A MINIMUM OF EFFORT; AND THAT WE ARE NOT WORKING WITH NIPPON EXPRESS ON AN EXCLUSIVE BASIS, AS ANY FREIGHT FORWARDER OF SHIPPING COMPANY IS ABLE TO USE THIS NEW METHOD. OUR MAJOR SELLING POINT TO JAPANESE BUYERS IS THAT BY TRAVELLING TO U.S. TRADE SHOWS, THEY CAN OBTAIN MANY GOODS NOT IN JAPANESE MARKET. THIS METHOD HELPS US REACH THAT GOAL.

5) OUR PRIMARY OBJECTIVE IS TO INCREASE U.S. EXPORTS TO JAPAN. WHILE WE HOPE THAT JAPANESE BUYERS TRAVELLING TO U.S. TRADE SHOWS WILL FLY ON U.S. AIR LINES AND THAT GOODS WILL BE SHIPPED TO JAPAN ON U.S. FLAG CARRIERS, WE CANNOT DICTATE WHAT IS A FREE CHOICE OF JAPANESE TRAVELLER AND BUYER.

6) ACCORDING TO ESTIMATE OF EMBASSY FSL WHO ACCOMPANIED JAPANESE BUYERS GROUP TO JANUARY HOUSEWARES SHOW IN CHICAGO, SEVENTY PER CENT OF TOTAL SALES TO GROUP MEMBERS WERE MADE BY U.S. COMPANIES WHICH AT FIRST DID NOT WANT TO SELL BECAUSE THEY DID NOT EXPORT. TO US, THIS PROVES THAT THIS EXPERIMENTAL SHIPPING METHOD DOES WORK, AND THAT IT IS A VIABLE METHOD FOR INCREASING U.S. EXPORTS.

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UL IN DISCUSSIONS WITH MARAD, WE HOPE POSITION OF JAPANESE BUYERS WILL BE CONSIDERED. JUST AS MANY U.S. COMPANIES DO NOT EXPORT BECAUSE OF QTE COMPLICATED PROCEDURES UNQTE, MOST JAPANESE COMPANIES DO NOT IMPORT DIRECTLY FOR SAME REASON. THEREFORE, AS WE HAVE SAID BEFORE, THE SHIPPER SHOULD BE KNOWN TO THE JAPANESE BUYER. THESE JAPANESE BUYERS, MOST OF WHOM ARE NOT EXPERIENCED

IN IMPORT, CANNOT BE EXPECTED TO ARRANGE FOR IMPORT  
AND INLAND DELIVERY IN JAPAN ON THEIR OWN.

8) JANUARY 6 LETTER ON EMBASSY LETTERHEAD IS AUTHEN-  
TIC AND WAS USED ONLY ONCE, AT JANUARY HOUSEWARES SHOW,  
WHEN THIS EXPERIMENTAL SHIPPING METHOD WAS TESTED.  
BECCAUSE INSTRUCTIONS FROM NIPPON EXPRESS WERE COMPLICATED  
AND FIVE PAGES LONG, WE WANTED TO MAKE SURE THIS NEW  
METHOD WAS READILY UNDERSTANDABLE TO U.S.HBUSINESSMEN  
AT SHOW. FEARING THAT NON-EXPORTING U.S. BUSINESSMEN  
WOULD NOT WANT TO READ FIVE-PAGE INSTRUCTIONS, WE WROTE  
THIS SIMPLIFIED ONE-PAGE LETTER TO ASSIST SUCCESS OF  
EXPERIMENT. NIPPON EXPRESS SAYS IT HAS NOT AND WILL  
NOT USE THIS LETTER FOR PURPOSES OTHER THAN THE FOREIGN  
BUYERS PROGRAM.

9) WE WOULD APPRECIATE KNOWING RESULTS OF MEETING  
AND WHETHER MARAD WOULD LIKE US TO OBTAINLETTER  
FROM NIPPON EXPRESS ALONG LINES IN PARA TWO ABOVE.  
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